

**REPORT OF THE AUDIT OF THE  
ALLEN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary Finance and Administration Cabinet

Honorable Bobby Young, Allen County Judge/Executive

Members of the Allen County Fiscal Court

The enclosed report prepared by Simon, Underwood & Associates PSC, Certified Public Accountants and Consultants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Simon, Underwood & Associates PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Simon, Underwood & Associates PSC evaluated the Allen County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE ALLEN COUNTY FISCAL COURT**

**June 30, 2009**

Simon, Underwood & Associates PSC has completed the audit of the Allen County Fiscal Court for fiscal year ended June 30, 2009. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information.

#### **Financial Condition:**

The fiscal court had total net assets of \$11,145,684 as of June 30, 2009. The fiscal court had unrestricted net assets of \$2,674,618 in its governmental activities as of June 30, 2009, with total net assets of \$11,118,877. In its business-type activities, total net cash and cash equivalents were \$8,229 with total net assets of \$26,807. The fiscal court had total debt principal as of June 30, 2009 of \$5,356,530 with \$254,373 due within the next year.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities.

#### **Report Comments:**

2009-01	The County And The Jail Lack An Adequate Segregation Of Duties
2009-02	The County Should Improve Controls Over Expenditures
2009-03	The County Should Ensure The Sheriff Complies With Purchasing And Procurement Procedures



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*Simon,  
Underwood &  
Associates* PSC

Certified Public Accountants and Consultants

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Bobby Young, Allen County Judge/Executive  
Members of the Allen County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Allen County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Allen County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statement but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Bobby Young, Allen County Judge/Executive  
Members of the Allen County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allen County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2010, on our consideration of Allen County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based upon the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

2009-01	The County And The Jail Lack An Adequate Segregation Of Duties
2009-02	The County Should Improve Controls Over Expenditures
2009-03	The County Should Ensure The Sheriff Complies With Purchase And Procurement Procedures

Respectfully submitted,



Simon, Underwood & Associates PSC

February 20, 2010

ALLEN COUNTY OFFICIALS

For The Year Ended June 30, 2009

**Fiscal Court Members:**

Bobby Young	County Judge/Executive
Dennis Harper	Magistrate
Danny Rutheford	Magistrate
Gary Horne	Magistrate
Rickey Cooksey	Magistrate
Roman Perry, Jr.	Magistrate

**Other Elected Officials:**

William P. Hagenbuch, Jr.	County Attorney
Larry Piper	Jailer
Beverly Calvert	County Clerk
Todd Calvert	Circuit Court Clerk
Sam Carter	Sheriff
Lena Williams	Property Valuation Administrator
Danny Bridgeman	Coroner

**Appointed Personnel:**

Melba Patrick	County Treasurer
Sandra Meador	Occupational Tax Collector
Mariah Burnley	Finance Officer

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**ALLEN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**



**ALLEN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,633,785	\$ 8,229	\$ 2,642,014
Receivables	16,911		16,911
Due from Inmate Fund		4,706	4,706
Total Current Assets	2,650,696	12,935	2,663,631
Noncurrent Assets:			
Receivables	75,616		75,616
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	1,381,305		1,381,305
Buildings	2,885,932		2,885,932
Other Equipment	265,521		265,521
Vehicles and Equipment	516,757	13,872	530,629
Infrastructure	8,699,580		8,699,580
Total Noncurrent Assets	13,824,711	13,872	13,838,583
Total Assets	16,475,407	26,807	16,502,214
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	99,373		99,373
Bonds Payable	155,000		155,000
Total Current Liabilities	254,373		254,373
Noncurrent Liabilities:			
Financing Obligations Payable	357,157		357,157
Bonds Payable	4,745,000		4,745,000
Total Noncurrent Liabilities	5,102,157		5,102,157
Total Liabilities	5,356,530		5,356,530
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	8,392,565	13,872	8,406,437
Restricted For:			
Debt Service	51,694		51,694
Unrestricted	2,674,618	12,935	2,687,553
Total Net Assets	\$ 11,118,877	\$ 26,807	\$ 11,145,684

The accompanying notes are an integral part of the financial statements.

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**ALLEN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**

**ALLEN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	1,531,168	\$ 4,855	\$ 855,618	
Protection to Persons and Property	2,677,602	840,245	258,279	
General Health and Sanitation	809,350	501,814		
Social Services	49,759		114,968	
Recreation and Culture	87,602			
Roads	786,597	900	1,151,568	300,000
Debt Service	149,983			
Total Governmental Activities	6,092,061	1,347,814	2,380,433	300,000
Business-type Activities:				
Jail Canteen	56,675	44,743		
Total Business-type Activities	56,675	44,743		
Total Primary Government	\$ 6,148,736	\$ 1,392,557	\$ 2,380,433	\$ 300,000

**General Revenues:**

Taxes:

Real and Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In Lieu Of Tax Payments

Excess Fees

Licenses and Permits

Miscellaneous Revenues

Reimbursements

Investment Income

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**ALLEN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (670,695)	\$	\$ (670,695)
(1,579,078)		(1,579,078)
(307,536)		(307,536)
65,209		65,209
(87,602)		(87,602)
665,871		665,871
(149,983)		(149,983)
(2,063,814)		(2,063,814)
	(11,932)	(11,932)
	(11,932)	(11,932)
\$ (2,063,814)	\$ (11,932)	\$ (2,075,746)
570,544		570,544
105,619		105,619
1,753,045		1,753,045
87,929		87,929
11,773		11,773
19,263		19,263
126,526		126,526
49,953		49,953
11,086	67	11,153
2,735,738	67	2,735,805
671,924	(11,865)	660,059
10,446,953	38,672	10,485,625
\$ 11,118,877	\$ 26,807	\$ 11,145,684

The accompanying notes are an integral part of the financial statements.

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**ALLEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**



**ALLEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

				Allen County Public Properties Corporation Justice Center Project Fund	Non- Major Governmental Funds	Total Governmental Funds
	General Fund	Road Fund	Jail Fund			
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 460,828	\$ 572,050	\$ 29,086	\$ 1,386,446	\$ 185,375	\$ 2,633,785
Total Assets	<u>460,828</u>	<u>572,050</u>	<u>29,086</u>	<u>1,386,446</u>	<u>185,375</u>	<u>2,633,785</u>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances	849		4,552		2,483	7,884
Unreserved:						
General Fund	459,979					459,979
Special Revenue Funds		572,050	24,534	1,386,446	131,198	2,114,228
Debt Service Funds					51,694	51,694
Total Fund Balances	<u>\$ 460,828</u>	<u>\$ 572,050</u>	<u>\$ 29,086</u>	<u>\$ 1,386,446</u>	<u>\$ 185,375</u>	<u>\$ 2,633,785</u>

**Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:**

Total Fund Balances	\$ 2,633,785
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Governmental Funds.	24,874,716
Accumulated Depreciation	(11,125,621)
Receivable Is Not Due and Collectible in the Current Period and, Therefore, Is Not Reported in the Governmental Funds.	
City's Portion Of Courthouse Renovation Debt	92,527
Short-term and Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Governmental Funds.	
Bonded Debt Principal	(4,900,000)
Financing Obligations Principal	<u>(456,530)</u>
Net Assets Of Governmental Activities	<u>\$ 11,118,877</u>

The accompanying notes are an integral part of the financial statements.

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**ALLEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**ALLEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	Allen County Public Properties Corporation Justice Center					Non- Major Governmental Funds	Total Governmental Funds
	General Fund	Road Fund	Jail Fund	Project Fund			
<b>REVENUES</b>							
Taxes	\$ 2,429,208	\$	\$	\$	\$		\$ 2,429,208
In Lieu Tax Payments	87,929						87,929
Excess Fees	11,773						11,773
Licenses and Permits	17,513					1,750	19,263
Intergovernmental	1,184,361	1,451,569	643,821			74,269	3,354,020
Charges for Services	33,991		54,676			471,238	559,905
Miscellaneous	236,324	20	46,217			28,284	310,845
Interest	6,724	2,587	163	1		1,612	11,087
Total Revenues	<u>4,007,823</u>	<u>1,454,176</u>	<u>744,877</u>	<u>1</u>		<u>577,153</u>	<u>6,784,030</u>
<b>EXPENDITURES</b>							
General Government	1,670,284						1,670,284
Protection to Persons and Property	564,250		757,851			25,081	1,347,182
General Health and Sanitation	166,014					605,480	771,494
Social Services	49,759						49,759
Recreation and Culture	84,026						84,026
Roads		1,268,886				63,058	1,331,944
Debt Service	101,116	30,600				269,372	401,088
Capital Projects				1,086,055			1,086,055
Administration	<u>855,789</u>	<u>95,268</u>	<u>232,635</u>	<u>27,500</u>		<u>36,356</u>	<u>1,247,548</u>
Total Expenditures	<u>3,491,238</u>	<u>1,394,754</u>	<u>990,486</u>	<u>1,113,555</u>		<u>999,347</u>	<u>7,989,380</u>
Excess (Deficiency) of Revenues							
Expenditures Before Other							
Financing Sources (Uses)	<u>516,585</u>	<u>59,422</u>	<u>(245,609)</u>	<u>(1,113,554)</u>		<u>(422,194)</u>	<u>(1,205,350)</u>
<b>Other Financing Sources (Uses)</b>							
Financing Obligation Proceeds				2,500,000			2,500,000
Transfers From Other Funds	30,000		230,000			416,069	676,069
Transfers To Other Funds	(646,069)					(30,000)	(676,069)
Total Other Financing							
Sources (Uses)	<u>(616,069)</u>		<u>230,000</u>	<u>2,500,000</u>		<u>386,069</u>	<u>2,500,000</u>
Net Change in Fund Balances	(99,484)	59,422	(15,609)	1,386,446		(36,125)	1,294,650
Fund Balances - Beginning	<u>560,312</u>	<u>512,628</u>	<u>44,695</u>			<u>221,500</u>	<u>1,339,135</u>
Fund Balances - Ending	<u>\$ 460,828</u>	<u>\$ 572,050</u>	<u>\$ 29,086</u>	<u>\$ 1,386,446</u>	<u>\$</u>	<u>185,375</u>	<u>\$ 2,633,785</u>

The accompanying notes are an integral part of the financial statements.

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**ALLEN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**ALLEN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,294,650
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	2,228,249
Depreciation Expense	(528,180)
Disposal of Assets, Net Book Value	(53,856)
Governmental Funds Report Amounts Collected on Receivables as Revenues. However, in the Statement of Activities the Amount Collected on Receivables Has No Effect on Revenues. The Amount Collected Reduces Receivables Included in Net Assets.	
City's Portion Of Courthouse Renovation Debt Collected	(20,044)
The Issuance of Short-term Debt (e.g. Financing Obligations) Provides Current Financial Resources to Governmental Funds, While Repayment of Principal on Short-term and Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have No Effect on Net Assets.	
Financing Obligation Proceeds	(2,500,000)
Bonded Debt Principal Payment	150,000
Financing Obligations Principal Payments	<u>101,105</u>
Change in Net Assets of Governmental Activities	<u>\$ 671,924</u>

The accompanying notes are an integral part of the financial statements.

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**ALLEN COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**



**ALLEN COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**

	<u><b>Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 8,229
Due from Inmate Fund	4,706
Total Current Assets	<u>12,935</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles	21,674
Less Accumulated Depreciation	<u>(7,802)</u>
Total Noncurrent Assets	<u>13,872</u>
Total Assets	<u>26,807</u>
<b>Net Assets</b>	
Invested in Capital Assets,	
Net of Related Debt	13,872
Unrestricted	<u>12,935</u>
Total Net Assets	<u><u>\$ 26,807</u></u>

The accompanying notes are an integral part of the financial statements.

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**ALLEN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**ALLEN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>Enterprise Fund</b>
	<hr/>
	<b>Jail Canteen Fund</b>
	<hr/>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 44,743
Total Operating Revenues	<hr/> 44,743 <hr/>
<b>Operating Expenses</b>	
Cost of Sales	49,878
Educational and Recreational	879
Sales Taxes	1,301
Other Expenses	716
Depreciation	<hr/> 3,901
Total Operating Expenses	<hr/> 56,675 <hr/>
Operating Income (Loss)	<hr/> (11,932) <hr/>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	<hr/> 67
Total Nonoperating Revenues (Expenses)	<hr/> 67 <hr/>
Change In Net Assets	(11,865)
Total Net Assets - Beginning (Restated)	<hr/> 38,672 <hr/>
Total Net Assets - Ending	<hr/> \$ 26,807 <hr/>

The accompanying notes are an integral part of the financial statements.

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**ALLEN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**ALLEN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Payments From Customers	\$ 41,676
Payments To Suppliers For Goods And Services	(49,878)
Payments For Educational And Recreational Supplies And Services	(879)
Payments To Other Sources	(2,017)
Net Cash Provided By Operating Activities	<u>(11,098)</u>
<b>Cash Flows From Investing Activities</b>	
Interest Earned	<u>67</u>
Net Cash Provided By Investing Activities	<u>67</u>
Net Increase in Cash and Cash Equivalents	(11,031)
Cash and Cash Equivalents - July 1, 2008 (Restated)	<u>19,260</u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 8,229</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ (11,932)
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Due from Inmate Fund	(3,067)
Depreciation Expense	<u>3,901</u>
Net Cash Provided By Operating Activities	<u><u>\$ (11,098)</u></u>

The accompanying notes are an integral part of the financial statements.

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**ALLEN COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS – MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**ALLEN COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b><u>Jail Inmate Fund</u></b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 10,599
Total Assets	<u>10,599</u>
<b>Liabilities</b>	
Current Liabilities:	
Due to Commissary Fund	4,706
Amounts Held In Custody For Others	<u>5,893</u>
Total Liabilities	<u>10,599</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Receivables are recognized on the Statement of Net Assets, but receivables are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Allen County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

**Blended Component Units**

**Scottsville-Allen County Public Properties Corporation**

The Allen County Fiscal Court appoints a voting majority of the Scottsville-Allen County Public Properties Corporation's (PPC) governing board and has the ability to impose its will on the governing board. In addition, fiscal court is financially accountable and legally obligated for the debt of the Scottsville-Allen County Public Properties Corporation. Financial information for the PPC is blended within Allen County's financial statements. All activities of the PPC are accounted for within a non-major (debt service) fund.

**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Allen County Public Properties Corporation

The Allen County Fiscal Court established a new Public Properties Corporation for the purpose of the construction of the justice center. The Allen County Fiscal Court appoints a voting majority of the Allen County Public Properties Corporation's (PPC) governing board and has the ability to impose its will on the governing board. In addition, fiscal court is financially accountable and legally obligated for the debt of the Allen County Public Properties Corporation. Financial information for the PPC is blended within Allen County's financial statements. All activities of the PPC are accounted for within a major (capital projects) fund.

**C. Allen County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Allen County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional Allen County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Jail Fund - The primary purpose of this fund is to account for the Jail expenditures of the Fiscal Court. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Public Properties Corporation Justice Center Project - The primary purpose of this fund is to account for capital project requirements of the obligation bonds of the Allen County Public Properties Corporation, a blended component unit. The Allen County Public Properties Corporation issues debt to build the new justice center. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Special Reserve Fund, Local Government Economic Assistance Fund, Corps of Engineers Fund, Disaster and Emergency Services Fund, Transfer Station and Recycling Center Fund, Scottsville-Allen County Public Properties Corporation Bond Fund, and Jail Justice Center Bond Debt Payment Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Special Reserve Fund, Local Government Economic Assistance Fund, Corps of Engineers Fund, Disaster and Emergency Services Fund, Transfer Station and Recycling Center Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Allen County Public Properties Corporation Justice Center Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition, construction, or renovation of major capital facilities.

**Debt Service Fund:**

The Scottsville-Allen County Public Properties Corporation Bond Fund, and Jail Justice Center Bond Debt Payment Funds are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt and interest.

**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Fund**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include cost of sales and services and administrative expenses. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund – The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Fund**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Inmate Trust Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund - This fund accounts for funds received from inmates.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Machinery and Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**ALLEN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Related Organizations and Joint Venture**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The primary government's accountability for related organizations does not extend beyond making appointments. Based on these criteria, the Allen County Water district is considered a related organization of the Allen County Fiscal Court.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based upon these criteria, the following are considered jointly governed organizations of Allen County Fiscal Court: Scottsville-Allen County Economic Development Industrial Board, Scottsville-Allen County Recreation Board, Allen County Ambulance Service, Scottsville-Allen County Planning Commission, and Scottsville-Allen County Rescue Squad.

**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, the County's deposits were covered by FDIC insurance or pledged securities and a properly executed collateral security agreement.

**Note 3. Receivable**

Since the City of Scottsville owns 40% of the City/County Building, on January 28, 2002, the Common Council of the City of Scottsville voted to pay 40% of the debt service requirements on two financing obligations, Courthouse Renovation #1 and Courthouse Renovation #2, with the Kentucky Area Development Districts Financing Trust in Allen County Fiscal Court's name. The City's portion of the debt service requirements due as of June 30, 2009 was \$72,712 and \$19,815, respectively. Future amounts due to Allen County Fiscal Court Are:

Fiscal Year Ended June 30	Governmental Activities		
	Courthouse Renovation #1	Courthouse Renovation #2	Total
2010	\$ 13,874	\$ 3,037	\$ 16,911
2011	15,304	2,933	18,237
2012	14,611	4,825	19,436
2013	13,863	4,615	18,478
2014	15,060	4,405	19,465
Totals	<u>\$ 72,712</u>	<u>\$ 19,815</u>	<u>\$ 92,527</u>



**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 285,200	\$ 1,096,105	\$	\$ 1,381,305
Total Capital Assets Not Being Depreciated	285,200	1,096,105		1,381,305
Capital Assets, Being Depreciated:				
Buildings	3,723,636			3,723,636
Equipment	401,735	134,075	(85,485)	450,325
Vehicles and Equipment	1,323,930	81,204		1,405,134
Infrastructure	16,997,451	916,865		17,914,316
Total Capital Assets Being Depreciated	22,446,752	1,132,144	(85,485)	23,493,411
Less Accumulated Depreciation For:				
Buildings	(759,063)	(78,641)		(837,704)
Equipment	(161,133)	(55,300)	31,629	(184,804)
Vehicles and Equipment	(766,632)	(121,745)		(888,377)
Infrastructure	(8,942,242)	(272,494)		(9,214,736)
Total Accumulated Depreciation	(10,629,070)	(528,180)	31,629	(11,125,621)
Total Capital Assets, Being Depreciated, Net	11,817,682	603,964	(53,856)	12,367,790
Governmental Activities Capital Assets, Net	<u>\$12,102,882</u>	<u>\$ 1,700,069</u>	<u>\$ (53,856)</u>	<u>\$13,749,095</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 21,674	\$	\$	\$ 21,674
Total Capital Assets Being Depreciated	21,674			21,674
Less Accumulated Depreciation For:				
Vehicles and Equipment	(3,901)	(3,901)		(7,802)
Total Accumulated Depreciation	(3,901)	(3,901)		(7,802)
Total Capital Assets, Being Depreciated, Net	17,773	(3,901)		13,872
Business-Type Activities Capital Assets, Net	<u>\$ 17,773</u>	<u>\$ (3,901)</u>	<u>\$ 0</u>	<u>\$ 13,872</u>

**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 4. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 127,267
Protection to Persons and Property	36,888
General Health and Sanitation	8,130
Recreation and Culture	3,576
Roads	<u>352,319</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 528,180</u>
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Business-Type Activities

Jail Canteen	<u>\$ 3,901</u>
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Total Depreciation Expense - Business-Type Activities	<u>\$ 3,901</u>
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**Note 5. Short-term Debt**

In July 2008, Allen County Fiscal Court participated in the Kentucky Association of Counties Advance Revenue Program by issuing a note in the amount of \$138,000 for the general fund, with principal being due in January 2009. While the Fiscal Court did not use borrowed funds in order to meet current General Fund expenditures, they were able to reinvest the funds and receive net interest earnings of \$690 for the general fund.

Changes In Short-term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Kentucky Advanced				
Revenue Program	<u>\$</u>	<u>\$ 138,000</u>	<u>\$ 138,000</u>	<u>\$</u>
Governmental Activities				
Short-term Liabilities	<u>\$</u>	<u>\$ 138,000</u>	<u>\$ 138,000</u>	<u>\$</u>

**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 6. Long-term Debt**

**A. First Mortgage Revenue Bonds, Series 2004**

On December 2, 2004, the Scottsville-Allen County Public Properties Corporation issued \$3,075,000 of first mortgage revenue refunding bonds to advance refund the first mortgage revenue bonds, series 1996, issued by the Scottsville-Allen County Public Properties Corporation for the construction of the law enforcement center. The 2004 series bonds were issued at various rates from 2.50% through 4.25%. The final maturity date of the 2004 series bonds is June 1, 2021. On January 8, 1996, the Common Council of the City of Scottsville voted to lease approximately 18 percent of the building for the amount of approximately 18 percent of the debt service requirements.

Total bonds outstanding as of June 30, 2009 totaled \$2,400,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 155,000	\$ 94,557
2011	165,000	89,133
2012	165,000	82,945
2013	175,000	76,758
2014	185,000	70,195
2015-2019	1,055,000	236,547
2020-2021	500,000	32,060
Totals	<u>\$ 2,400,000</u>	<u>\$ 682,195</u>

**B. First Mortgage Revenue Bond Anticipation Notes, Series 2009**

On May 28, 2009, the Allen County, Kentucky Public Properties Corporation issued \$2,500,000 of first mortgage revenue bond anticipation notes, series 2009, for the construction of a new judicial building. The 2009 series bonds were issued at 2.75%. The final maturity date of the 2009 series bonds is June 1, 2011.

Total bonds outstanding as of June 30, 2009 totaled \$2,500,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$	\$ 69,323
2011	2,500,000	68,750
Totals	<u>\$ 2,500,000</u>	<u>\$ 138,073</u>

**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**C. Courthouse Renovation #1**

On October 9, 2003, the Allen County Fiscal Court entered into an agreement with Kentucky Area Development Districts Financing Trust. The agreement was for the purpose of courthouse renovation. The principal was \$510,000 at variable interest rates for a period of ten years, interest paid semi-annually and principal paid annually. The administrative Office of the Courts, Commonwealth of Kentucky, has pledged to pay up to \$24,600 per calendar year of the debt service requirements. On January 28, 2002, the Common Council of the City of Scottsville voted to pay approximately 40% of the remaining debt service requirements. Principal outstanding as of June 30, 2009 totaled 275,000.

Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 50,000	\$ 8,572
2011	55,000	6,994
2012	55,000	5,192
2013	55,000	3,254
2014	60,000	1,125
Totals	<u>\$ 275,000</u>	<u>\$ 25,137</u>

**D. Courthouse Renovation #2**

On May 21, 2005, the Allen County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust. The agreement was for the purpose of courthouse renovation. The principal was \$65,000 at variable interest rates for a period of ten years, interest paid semi-annually and principal paid annually. On January 28, 2002, the Common Council of the City of Scottsville voted to pay approximately 40% of the remaining debt service requirements. Principal outstanding as of June 30, 2009 totaled \$40,000.

Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 5,000	\$ 2,594
2011	5,000	2,331
2012	10,000	2,063
2013	10,000	1,537
2014	10,000	1,013
Totals	<u>\$ 40,000</u>	<u>\$ 9,538</u>

**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**E. E911 Equipment**

On February 1, 2005, Allen County Fiscal Court entered into an agreement with the Government Capital Corporation. The agreement was for purchase of 911 equipment. The principal was \$46,224 at an interest rate of 5.991% for a period of five years, interest and principal paid monthly. Principal outstanding as of June 30, 2009 was \$7,923. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 7,923	\$ 199
Totals	<u>\$ 7,923</u>	<u>\$ 199</u>

**F. Sheriff's Vehicles**

On December 21, 2007, Allen County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust. The agreement was for the purchase of a vehicle for the Sheriff's department. The principal was \$95,795 at an interest rate of 3.75% for a period of four years, interest payable monthly and principal paid annually. Principal outstanding as of June 30, 2009 was \$77,795. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 18,000	\$ 2,568
2011	19,000	1,775
2012	20,000	942
2013	<u>20,795</u>	<u>74</u>
Totals	<u>\$ 77,795</u>	<u>\$ 5,359</u>

**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**G. Loader**

On May 15, 2008, Allen County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust. The agreement was for the purchase of a loader. The principal was \$75,000 at an interest rate of 3.972% for a period of four years, interest and principal payable monthly. Principal outstanding as of June 30, 2009 was \$55,812. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 18,450	\$ 1,854
2011	19,157	1,209
2012	18,205	519
Totals	<u>\$ 55,812</u>	<u>\$ 3,582</u>

**H. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Refunding Bonds	\$2,550,000	\$2,500,000	\$ 150,000	\$4,900,000	\$ 155,000
Financing Obligations	557,635		101,105	456,530	99,373
Governmental Activities Long-term Liabilities	<u>\$3,107,635</u>	<u>\$2,500,000</u>	<u>\$ 251,105</u>	<u>\$5,356,530</u>	<u>\$ 254,373</u>

**Note 7. Interest on Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$18,976 in interest on financing obligations and \$99,208 in interest on bonds. Operating lease payments are also included in debt service.

**ALLEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 8. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

The county's contribution for FY 2007 was \$265,426, FY 2008 was \$366,564, and FY 2009 was \$293,867.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 9. Insurance**

For the fiscal year ended June 30, 2009, Allen County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Prior Period Adjustment**

The beginning net assets for governmental and business-type activities were restated for an error in prior year depreciation for \$16,206 and \$975, respectively.

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**ALLEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**REQUIRED SUPPLEMENTARY INFORMATION - Modified Cash Basis**

**For The Year Ended June 30, 2009**



**ALLEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**Modified Cash Basis**

**For The Year Ended June 30, 2009**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 2,064,000	\$ 2,088,293	\$ 2,429,208	\$ 340,915
In Lieu Tax Payments	57,000	70,720	87,929	17,209
Excess Fees	91,150	91,150	11,773	(79,377)
Licenses and Permits	14,000	14,200	17,513	3,313
Intergovernmental Revenue	1,199,693	1,215,648	1,184,361	(31,287)
Charges for Services	48,500	48,500	33,991	(14,509)
Miscellaneous	267,700	279,716	236,324	(43,392)
Interest	11,000	11,000	6,724	(4,276)
Total Revenues	3,753,043	3,819,227	4,007,823	188,596
<b>EXPENDITURES</b>				
General Government	1,683,713	1,878,088	1,670,284	207,804
Protection to Persons and Property	533,872	586,723	564,250	22,473
General Health and Sanitation	115,020	173,089	166,014	7,075
Social Services	54,000	60,658	49,759	10,899
Recreation and Culture	281,750	98,647	84,026	14,621
Debt Service	324,629	324,730	101,116	223,614
Administration	903,099	1,006,644	855,789	150,855
Total Expenditures	3,896,083	4,128,579	3,491,238	637,341
Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	(143,040)	(309,352)	516,585	825,937
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	235,000	235,000	30,000	(205,000)
Transfers To Other Funds	(491,960)	(491,960)	(646,069)	(154,109)
Total Other Financing Sources (Uses)	(256,960)	(256,960)	(616,069)	(359,109)
Net Changes in Fund Balance	(400,000)	(566,312)	(99,484)	466,828
Fund Balance - Beginning	400,000	560,312	560,312	
Fund Balance - Ending	\$ 0	\$ (6,000)	\$ 460,828	\$ 466,828

**ALLEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>ROAD FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,355,287	\$ 1,471,419	\$ 1,451,569	\$ (19,850)
Miscellaneous	1,000	1,000	20	(980)
Interest	2,000	2,000	2,587	587
Total Revenues	<u>1,358,287</u>	<u>1,474,419</u>	<u>1,454,176</u>	<u>(20,243)</u>
<b>EXPENDITURES</b>				
Roads	1,519,600	1,537,857	1,268,886	268,971
Debt Service	11,000	30,600	30,600	
Administration	127,687	418,590	95,268	323,322
Total Expenditures	<u>1,658,287</u>	<u>1,987,047</u>	<u>1,394,754</u>	<u>592,293</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(300,000)</u>	<u>(512,628)</u>	<u>59,422</u>	<u>572,050</u>
Net Changes in Fund Balance	(300,000)	(512,628)	59,422	572,050
Fund Balance - Beginning	<u>300,000</u>	<u>512,628</u>	<u>512,628</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 572,050</u>	<u>\$ 572,050</u>

**ALLEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	<b>JAIL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts,</b>	<b>Final Budget</b>
			<b>(Budgetary</b>	<b>Positive</b>
			<b>Basis)</b>	<b>(Negative)</b>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 816,300	\$ 818,553	\$ 643,821	\$ (174,732)
Charges for Services	51,500	57,536	54,676	(2,860)
Miscellaneous	53,000	53,122	46,217	(6,905)
Interest	600	600	163	(437)
Total Revenues	<u>921,400</u>	<u>929,811</u>	<u>744,877</u>	<u>(184,934)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	\$ 803,800	\$ 812,897	\$ 757,851	\$ 55,046
Administration	278,310	277,624	232,635	44,989
Total Expenditures	<u>1,082,110</u>	<u>1,090,521</u>	<u>990,486</u>	<u>100,035</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(160,710)</u>	<u>(160,710)</u>	<u>(245,609)</u>	<u>(84,899)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In from Other Funds	<u>110,710</u>	<u>110,710</u>	<u>230,000</u>	<u>119,290</u>
Total Other Financing Sources (Uses)	<u>110,710</u>	<u>110,710</u>	<u>230,000</u>	<u>119,290</u>
Net Changes in Fund Balances	(50,000)	(50,000)	(15,609)	34,391
Fund Balances - Beginning	<u>50,000</u>	<u>50,000</u>	<u>44,695</u>	<u>(5,305)</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,086</u>	<u>\$ 29,086</u>

**ALLEN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2009**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**ALLEN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2009**

**ALLEN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2009**

	<b>Local Government Economic Assistance Fund</b>	<b>Corps of Engineers Fund</b>	<b>Disaster and Emergency Services Fund</b>	<b>Transfer Station and Recycling Center Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 19,957	\$ 8,580	\$ 285	\$ 23,727
Total Assets	<u>19,957</u>	<u>8,580</u>	<u>285</u>	<u>23,727</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances				2,483
Unreserved:				
Special Revenue Funds	19,957	8,580	285	21,244
Debt Service Funds				
Total Fund Balances	<u>\$ 19,957</u>	<u>\$ 8,580</u>	<u>\$ 285</u>	<u>\$ 23,727</u>

The accompanying notes are an integral part of the financial statements.



**ALLEN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2009**  
**(Continued)**

<b>Scottsville- Allen County</b>			
<b>Public Properties Corporation Bond Fund</b>	<b>Jail Justice Center Bond Debt Payment Fund</b>	<b>Special Reserve Fund</b>	<b>Total Non-Major Governmental Funds</b>
<u>\$ 169</u>	<u>\$ 51,525</u>	<u>\$ 81,132</u>	<u>\$ 185,375</u>
<u>169</u>	<u>51,525</u>	<u>81,132</u>	<u>185,375</u>
			2,483
		81,132	131,198
<u>169</u>	<u>51,525</u>		<u>51,694</u>
<u>\$ 169</u>	<u>\$ 51,525</u>	<u>\$ 81,132</u>	<u>\$ 185,375</u>

The accompanying notes are an integral part of the financial statements.

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**ALLEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2009**

**ALLEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2009**

	<b>Local Government Economic Assistance Fund</b>	<b>Corps of Engineers Fund</b>	<b>Disaster and Emergency Services Fund</b>	<b>Transfer Station and Recycling Center Fund</b>
<b>REVENUES</b>				
Licenses and Permits	\$	\$	\$	\$ 1,750
Intergovernmental	50,864	21,160	2,245	
Charges for Services				471,238
Miscellaneous			4,800	23,484
Interest	287			141
Total Revenues	<u>51,151</u>	<u>21,160</u>	<u>7,045</u>	<u>496,613</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property			25,081	
General Health and Sanitation				605,480
Transportation	63,058			
Debt Service				20,164
Administration			768	35,588
Total Expenditures	<u>63,058</u>	<u></u>	<u>25,849</u>	<u>661,232</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources	<u>(11,907)</u>	<u>21,160</u>	<u>(18,804)</u>	<u>(164,619)</u>
<b>Other Financing Sources</b>				
Financing Obligation Proceeds				
Transfers from Other Funds			16,861	150,000
Transfers To Other Funds		(30,000)		
Total Other Financing Sources		<u>(30,000)</u>	<u>16,861</u>	<u>150,000</u>
Net Change in Fund Balances	(11,907)	(8,840)	(1,943)	(14,619)
Fund Balances - Beginning	<u>31,864</u>	<u>17,420</u>	<u>2,228</u>	<u>38,346</u>
Fund Balances - Ending	<u>\$ 19,957</u>	<u>\$ 8,580</u>	<u>\$ 285</u>	<u>\$ 23,727</u>

The accompanying notes are an integral part of the financial statements.

## ALLEN COUNTY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

## Other Supplementary Information

For The Year Ended June 30, 2009

(Continued)

Scottsville- Allen County Public Properties Corporation Bond Fund	Jail Justice Center Bond Debt Payment Fund	Special Reserve Fund	Total Non-Major Governmental Funds
\$	\$	\$	\$ 1,750
			74,269
			471,238
			28,284
20	452	712	1,612
20	452	712	577,153
			25,081
			605,480
			63,058
249,208			269,372
			36,356
249,208			999,347
(249,188)	452	712	(422,194)
249,208			416,069
			(30,000)
249,208			386,069
20	452	712	(36,125)
149	51,073	80,420	221,500
\$ 169	\$ 51,525	\$ 81,132	\$ 185,375

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







The Honorable Bobby Young, Allen County Judge/Executive  
Members of the Allen County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 20, 2010. Allen County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allen County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Allen County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Allen County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying comments and recommendations as items 2009-01, 2009-02, and 2009-03 to be significant deficiencies in internal control over financial reporting.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Allen County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Allen County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Simon, Underwood & Associates PSC". The signature is written in a cursive, flowing style.

Simon, Underwood & Associates PSC

February 20, 2010

## **COMMENTS AND RECOMMENDATIONS**



**ALLEN COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2009**

**INTERNAL CONTROLS - SIGNIFICANT DEFICIENCIES:**

2009-01      The County And The Jail Lack An Adequate Segregation Of Duties

The County and Jail lack adequate segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the County and the Jail have limited options for establishing an adequate segregation of duties. We recommend the following compensating controls be implemented to offset this internal control weakness:

- An independent person in the county and jail should list all receipts and agree them back to the treasurer's and jailor's receipt ledger.
- An independent county and jail person should open bank statements and review them for unusual items. The independent person should then sign off on the bank statement that this compensating control was completed.
- An independent county and jail person should complete bank reconciliations or review the treasurer's and jailor's bank reconciliations for accuracy. The independent person should then sign off on the bank reconciliations that this compensating control was completed.
- An independent county person should compare payroll data to payroll reports for accuracy. The independent person should then sign off on the payroll reports that this compensating control was completed.
- An independent county person should compare fiscal court order approvals to invoices and cancelled checks.
- The jail accounts require only one signature and have four authorized signers. The jail accounts should be required to have two check signers for every transaction. The Jailer should be one mandatory signer and an independent person who does not have access to generating or printing checks should be one of the mandatory check signers.

*County Judge/Executive's Response: None.*

**ALLEN COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

INTERNAL CONTROLS - SIGNIFICANT DEFICIENCIES: (Continued)

2009-02      The County Should Improve Controls Over Expenditures

Several deficiencies were noted in the internal control structure as it relates to expenditures, namely, in the documentation, preparation, and authorization of expenditure items. The following issues were noted during expenditure testing and need to be addressed by the fiscal court:

- Of the sixty-eight (68) invoices tested, two (2) invoices were not paid within 30 days as required, one (1) purchase order which had no supporting documentation.
- The fiscal court paid \$498.45 in finance charges and late fees on credit card payments. In addition, sales tax was paid on several credit card purchases.
- The fiscal court did not report encumbrances correctly on the financial statements. Of the fourteen (14) items tested, we noted six (6) invoices totaling \$5,644 not included on the fourth quarter financial statements at year end.

Maintaining strong internal control is by having an approved purchase order prior to payment as required by the administrative code. Documentation of all expenditures should be included in the overall payment package for approval by fiscal court.

An annual review by the fiscal court of the administrative code is required by KRS 68.005 during the month of June.

KRS 65.140(2) requires all bills for goods and services to be paid in full within thirty (30) working days of receiving a vendor invoice. It continues to state that if payment of invoices exceeds thirty (30) days, a 1% interest penalty should be added.

We recommend the county review, utilize, and adhere to all applicable laws and regulations. Specifically, we recommend the county take the following action to comply with the Department for Local Government requirements and Kentucky Revised Statutes included within:

- Ensure expenditures occur within thirty (30) days of receiving vendor invoices or compensate vendors according to statutory interest penalties for payments exceeding thirty (30) days. Strong internal controls will also ensure that late fees and sales taxes will not be incurred by the county.
- Review and update the administrative policy annually in June as required.
- Review all payment packages presented to fiscal court for approval to ensure proper documentation is maintained to support the payment and all proper approvals are documented.
- Report all encumbrances by including all outstanding liabilities at the end of the fiscal year on the fourth quarter financial statement and maintain a list of these encumbrances to ensure the county has not encumbered more than the available cash balance in each fund.

*County Judge/Executive's Response: None.*

**ALLEN COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

INTERNAL CONTROLS - SIGNIFICANT DEFICIENCIES: (Continued)

2009-03      The County Should Ensure The Sheriff Complies With Purchase And Procurement Procedures

The Sheriff should comply with the procedures adopted within the administrative code policies.

- The Sheriff uses his private vehicle for both personal and county business. A mileage sheet is turned in monthly, as required for reimbursement, however based upon the documentation it is not possible to distinguish between the personal mileage and county business mileage.

We recommend the Sheriff submit documentation to distinguish between personal mileage and county business miles as indicated within the administrative code. If by nature of the Sheriff's responsibilities the mileage logs are not practical, the County should consider revising the administrative code to require the Sheriff to use a county vehicle for county business or establish a monthly mileage allowance rate allowable for the Sheriff.

We recommend that the County review the processes and procedures in place with the Sheriff for compliance with their purchase and procurement policies.

*County Judge/Executive's Response: None.*

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**ALLEN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
ALLEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Allen County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Bobby N. Young  
County Judge/Executive

  
Melba Patrick  
County Treasurer

